

Analysis of the Federal Policy of Tourism Development in Vladivostok city, Russia

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Analysis of the Federal Policy of Tourism Development in Vladivostok city, Russia

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Abstract

During the last several years, the Russian federal government has been putting significant effort and making massive investments in the development of tourism in Vladivostok city. The aim of this study is to answer the question “Is it possible to create an effective tourism and cultural center, initiated from the top by a federal authority?” The methodologies used in this research are, firstly, a review of statistical indicators and, secondly, a qualitative analysis of the actual progress toward this goal. This study demonstrates that the actual policy implemented to make Vladivostok city a cultural and tourism center, initiated from the top by the federal government, has advantages and specific features that simultaneously contribute to and impede successful policy implementation. Due to the efforts of the federal authorities, the region can receive vast investments within a short period of time. However, it is difficult for regional authorities to keep up with the speed and volume of such projects.

Keyword

Regional development policy, Vladivostok city, tourism and culture.

ロシアのウラジオストク市における連邦政府観光開発政策の分析

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要旨

ここ数年、ロシア連邦政府はウラジオストク市の観光の発展のために多大な努力と大規模な投資を行っている。この研究の目的は、「連邦政府によって上から進められた観光開発政策の成功的な実現は可能かどうか」という問いに答えることである。この研究で使用される方法論は、1つ目に統計的指標の確認で、2つ目に実態の調査である。この研究では、ウラジオストク市を文化観光センターにするための上からの連邦の政策が、観光客の増加にある程度貢献するものの、同時に政策の実施と成功を妨げる特徴もあることを発見した。連邦政府の努力により、この地域は短期間に莫大な投資を受けることができた。しかし、地方政府がこれらのプロジェクトの速度と量を維持することは困難である。

キーワード

地域開発政策, ウラジオストク市, 観光と文化

INTRODUCTION

Globalization has affected regional development policies in both developed and developing countries. For several decades the “bottom up” development approach has spread and is commonly used by developed countries. Now, in the era of globalization, developing countries have had to change their development tracks, concentrate resources and create global cities, multifunctional cities and mega-city-regions in order to be competitive.

The topic of city development has been discussed by several authors. One of the most famous is Jane Jacobs. She believed in the importance of community and fought against corporate globalization.¹⁾ Her theories on how design can affect communities and creativity continue to hold relevance today.

Richard Florida (2005) tried to develop the theory of city development and proposed the concept of a “creative city”. According to the concept, cities transform human creative energy into technical and artistic innovations, new forms of commerce and new industries. Thus, creativity can become the principal driving force in the growth and development of cities.²⁾

Allen J. Scott and Michael Storper (2003) went beyond the theory of city development and emphasized the role of city-region creation in the era of globalization as one of the most fundamental issues for developing countries, without which they can never hope for entry into the highest ranks of the global economy.³⁾

Robert Maitland and Peter Newman (2009) combined the above approaches with tourism and proposed the concept of “world tourism cities”. The characteristics of world tourism cities are “multiple social, physical and economic assets, polycentric spatial structures that open

up opportunities for tourism to develop away from traditional attractions; and for visitors to discover new attractions off the beaten track”. World tourism cities are multi-functional cities well located in global circuits of both money and people. The idea of world tourism cities includes “cities with substantial historical assets ... that are also centres of cultural excellence, and arising from their role in global business networks, generate large numbers of visitors in addition to those tourists attracted by tradition and cultural images”.⁴⁾

The authors argue that the process of city transformation into world tourism cities is typical for central European cities and growing tourist cities in East Asia, in other words: for developed countries. But how can less developed countries increase their influence on the global economic system? Is it possible to create such world tourism cities artificially, in order to achieve economic growth and enter the global competition between cities? The government of the Russian Federation is attempting to artificially make Vladivostok city a tourism city that will represent Russian culture in the populous and economically expanding Asia. Can this approach be successful? All these questions can be answered using the example of Vladivostok city.

BACKGROUND

The Russian Federation comprises 85 federal regions, which are grouped into eight federal districts: Central, North-Western, Southern, Far Eastern, Siberian, Urals, Privolzhsky and North-Caucasian. The Far Eastern Federal District consists of nine regions, one of them being Primorye Territory, with its administrative center in Vladivostok city. In

2018, Vladivostok city became the capital of the Far Eastern Federal District, which is the largest district in terms of territory size. The Far Eastern Federal District covers 36% of the entire surface of Russia, while its population accounts for only about 5% of the entire population. Vladivostok city was founded in 1860 as a Russian military outpost. Its forward position in the Russian Far East inevitably led to a major role as a port and naval base. Therefore, the government forbade foreign shipping and other forms of contact from the late 1950s until the days of waning Soviet power in 1990. Vladivostok's main industries were diversified during the Soviet period, when large ship-repair yards, railway workshops, a mining equipment manufacture plant, radio instrument factories, and timber working operations were the main enterprises. In the 1990s, during the post-Soviet period, these industries declined. These days, the main exports of Vladivostok are petroleum, coal, and grain. Clothing, consumer electronics and vehicles are the main imports. Fresh and processed fish from other Russian Far Eastern ports passes through Vladivostok port for transportation to the west of the country.

Since 1992, when the Russian Federation became a sovereign state, Russia's regional policy has been influenced by the political struggle at the federal level and relations between the federal center and the regions. The Russian government needed regional support to win its political battle with the Russian parliament. To gain the loyalty of the regional authorities, the federal government expanded different mechanisms for providing central financial support to the regions. Economically and politically strong regions received more financial support than other regions. As a result,

in the 1990s, regions possessing strong political power were able to receive sufficient financial support from the federal government, while the regions of the Far Eastern Federal District, that are far from Moscow and had no such political influence, were unable to receive it.

The growing power of the federal government since 2000, when Vladimir Putin became the President of the Russian Federation, has changed this situation. Up until 2005, Putin conducted several reforms that led to a strengthening of the federal authority and succeeded in the recentralization of the country.

In the 21st century the role of the Far East Federal District as a strategically important asset for Russia has increased due to the deterioration of foreign policy relations between Russia and Europe, and America. As a result, an important task for the Russian government has been to strengthen the position of the country in Asia.

Around the mid-2000s, the federal government started to restore the regions which had been oppressed during the 1990s, and the Far Eastern Federal District came to receive special attention from the central government for its development. In 2008, Putin decided to make Vladivostok the host city of APEC 2012. This decision led to massive investment into the revival of Vladivostok city as the center of the Russian Far East. Since 2008, the total amount of money spent for the construction of infrastructure such as roads, bridges, an airport terminal and meeting facilities for the summit amounted to 699.1 billion rubles, of which 218.5 billion was allocated from the federal budget and 34.8 billion from the local budgets of Primorye Territory and Vladivostok city.⁵⁾

In addition to these investments, the federal government engaged in post-summit economic

development of the region. To attract foreign investors the government had to create a positive image of Vladivostok city, and one of the ways used to achieve this was to promote Vladivostok as a tourism and cultural center of Russia. Thus, in 2009 the federal government signed into law the creation of the Primorye Gambling Zone. Another step was the introduction of the online visa system. One more measure to develop Vladivostok as a logistics center was the establishment of a free port regime.⁶⁾ Vladivostok received the status of a free port for a period of 70 years starting from 2015. Later, the same free port regime was extended to other key harbors of the Far East: in the Khabarovsk Territory, Sakhalin Region, Kamchatka Territory, Chukotka Autonomous Okrug and Primorye Territory. In 2014, Advanced Special Economic Zones (ASEZ) in the Far East were set up under the Federal Law No. 473-FZ.⁷⁾ The first ASEZs were created in a suburb of Vladivostok city. Finally, in December 2018, president Putin signed a decree on the transfer of the capital of the Far Eastern Federal District from Khabarovsk to Vladivostok city. Thus, Vladivostok city became not only the official capital, but also began to perform the functions of a multipurpose center in the Russian Far East as an economic, cultural, tourism, logistics, scientific and industrial center.

By examining the main economic indicators, Gavrilova (2019) investigated the outcomes of development policies that were launched after 2008 in Vladivostok city and Primorye Territory, and found that they did not provide a strong positive impact on the local economy, except in the tourism and logistics sectors.⁸⁾ In fact, the number of foreigners who visited Primorye Territory increased from 91.2 thousand in 2009 to 239.6 thousand in 2016. Investment into the

Primorye Territory tourism sector was 157.2 million rubles in 2009, and increased fourfold to 614.8 million rubles in 2017.⁹⁾ These statistics are proof of the growth of the tourism sector in this region. The improvement of the indicators does not necessarily mean an improvement in the quality. Thus this research investigates whether these quantitative improvements lead to qualitative improvements in the region.

The topic of tourism industry development in Primorye Territory and Vladivostok city has been discussed by several authors. Grivanov and Shmatova (2018) describe problems in the tourism sphere of Primorye Territory in general.¹⁰⁾ Korneyko, Moscovchuk and Ponomarchuk (2019)¹¹⁾, and Turbin and Syun Lepin (2015)¹²⁾ analysed the perspectives of development of gambling business in the Primorye Gambling Zone, making comparisons with the development strategies and functioning of integrated resort complexes in Macau and Singapore. Thus, most previous researches considered only separate projects integrated in federal policy, whereas this study aims to examine the federal policy as a part of a general multifunctional city creation approach. In addition, there is no research considering the policy of tourism industry development from the perspective of the division of roles between the national and regional governments. “Is it possible to create an effective tourism and cultural center initiated from above by a federal authority?” is the research question of this paper.

The remainder of this research paper is organized as follows. Section 1 is devoted to ongoing federal policy for tourism industry development. Section 2 describes the change in statistical indicators of the tourism industry before and after the launch of Vladivostok city

development policy. Section 3 covers the current state of affairs of projects being implemented within the territory of Vladivostok city. Section 4 is devoted to the results of tourism development policy. Section 5 concerns advantages such as the opportunity to receive a large amount of investment over a short period of time, and also problems in project implementation, such as the regional authority's absence of experience in global project implementation, their inability to keep up with the speed and volume of projects, and dependence on external investment.

1. ONGOING FEDERAL POLICY FOR TOURISM DEVELOPMENT

During the last 13 years the federal authority has paid special attention to the development

of Vladivostok city. The overall amount of investment into Vladivostok city and Primorye Territory significantly exceeds the amount of investment into other regions and cities.

Figure 1 shows the eight projects realized by the initiatives of the federal government for the development of the tourism industry of Vladivostok and their starting years, amounts of investment, and the institutions responsible since 2008. Most of the tourism development projects started in 2008-2009 as part of the preparations for the APEC summit which Vladivostok hosted in 2012. Some projects, such as the construction of a new airport terminal, roads and bridges were completed before the Summit, while Primorsky Aquarium and the Theatre of Opera and Ballet were finished with several years' delay. The construction

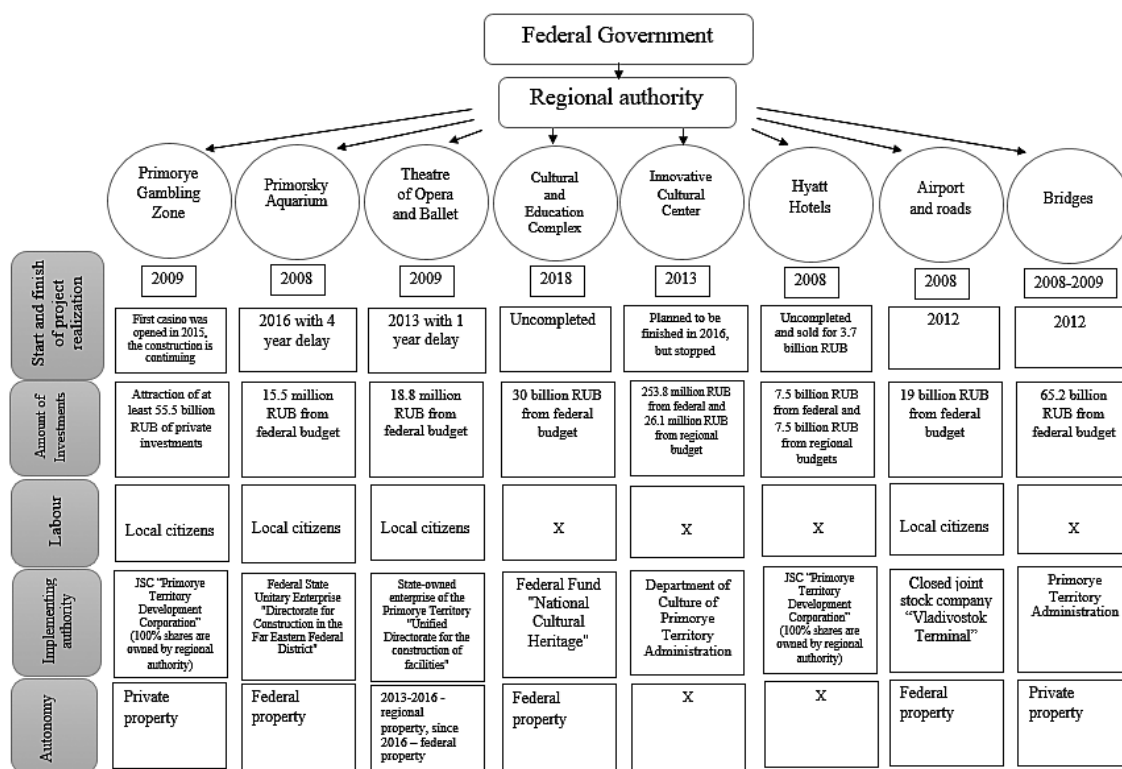


Figure 1. The eight projects realized by the initiatives of the federal government for the development of the tourism industry of Vladivostok city since 2008.

Source: made by author

of the Primorye Gambling Zone is a project independent from the APEC summit. The project has been running for 10 years, and remains uncompleted. There are also completely failed projects, such as the construction of Hyatt hotels and the Innovative Cultural Center. These projects have been completely suspended despite federal financing.

Although all projects are mainly financed from the federal budget, the implementing authorities are not necessarily federal agencies. In some cases, regional authorities take part in implementation.

The project taking the longest time to realize is the Primorye Gambling Zone. In 2009, gambling was banned everywhere in Russia except for four following specially arranged zones: Altai, Krasnodar, Kaliningrad, and Primorye Territory. Primorye Gambling Zone was created by the Russian Federation Government decree No. 1213-r of August 20, 2009: "On the creation of Primorye Gambling Zone in the territory of the Artemovsky urban district of Primorye Territory". It covers 640 hectares in the resort area of Ussuri Gulf. The project was carried out under the responsibility of the regional authority. The joint stock company "Nash dom – Primorye" ("Our Home – Primorye"), which was later renamed to "Primorye Territory Development Corporation", (100% of the shares are owned by the Primorye Territory Administration) was successful in its bid to win the right to implement the Primorye Gambling Zone project. The construction of the gambling facilities is planned to be carried out with the attraction of private investment.

The Primorsky Aquarium project was completed in September 2016 with 4 years' delay. The cost of the project was 15.5 billion rubles, which was released from the federal

budget. The aquarium is one of the world's largest, and became the first aquarium in Russia to be affiliated with the Russian Academy of Sciences.

One more project completed with delay is the construction of the Theatre of Opera and Ballet. It was opened in 2013 as a regional theatre. However, after 3 years it became a federal theatre when it was given the title of the fourth stage of the Mariinsky Theater, the most prominent theatre in Russia. The cost of the construction amounted to 18.8 million rubles and was also released from the federal budget.

The Cultural and Educational Complex project is the most recent, started in 2018. The idea of this project originated in 2016, when the President Putin instructed regional governments to consider the possibility of creating a branch of the St. Petersburg-based Hermitage Museum in Vladivostok city. This idea was finally developed into the project for creating the cultural and educational center. The total cost of the project will be about 30 billion rubles, which will be released from extra budgetary funds of the federal government. The management authority of the project is the National Cultural Heritage foundation, established in Moscow in 2018 for the purpose of expanding Russian culture and improving its availability among Russian citizens. The Mariinsky Theatre, State Hermitage Museum, Tretyakov Gallery and Bolshoi Theater are the contributors to this foundation. The Cultural and Educational Complex in Vladivostok will be divided into two locations – the cultural part in the mainland (central) area of the city and the educational part on Russky Island. The former consists of a concert hall in the Mariinsky Theater (1100 seats), the museum complex made up of branches of the State Hermitage

Table 1. The bridges constructed in Vladivostok city as preparation for APEC 2012 and their final costs

Bridge	Final cost
Bridge across Zolotoy Rog Bay	21 billion rubles
Bridge from Vladivostok to Russky Island	32.2 billion rubles
“Low-water” bridge over Amursky Bay	12 billion rubles

Source: made by author, based on data from the official homepage of APEC 2012

<https://web.archive.org/web/20100204014819/http://apec.primorsky.ru/>

Museum, the State Tretyakov Gallery, the State Russian Museum, the State Museum of Oriental Art, the Primorsky State Picture Gallery and High School of Music and Theater of Arts (300 students). The latter extends over a territory of 12 hectares, which consists of the branches of the Central Music School at the Moscow Tchaikovsky Conservatory (360 students), Academy of Russian Ballet of I. Vaganova (600 students) and a residential complex for teachers and dormitories for students. The total floor area of the cultural and educational complex buildings will measure about 123.4 thousand square meters. After the construction is completed, all facilities will become federal properties and will be leased to the National Cultural Heritage Foundation for 49 years.

The Innovative Cultural Center project was initiated by the Ministry of Culture of the Russian Federation, but is planned to be developed and implemented by the regional authority. The majority of the cost was financed by the federal budget. The project was planned to be finished by 2016, but could not be realized and has completely stopped.

Another failed project was the construction of two Hyatt hotels for participants of APEC 2012. The implementation of the project began in 2009. Both hotels were planned to have 250 rooms each, and spa and fitness centers. The total floor area of the two hotels is 70 thousand square meters. The construction manager is the administration of Primorye Territory and

the construction operator is the joint stock company “Nash dom – Primorye” (“Our Home – Primorye”). The official opening ceremonies of the hotels were scheduled for June 2012, but failed to be realized. The cost of both projects has amounted to 7.5 billion rubles.

The reconstruction of Vladivostok airport and the construction of new roads and bridges were carried out as preparation for APEC 2012. The new Vladivostok airport project included the development of the airport complex and airport infrastructure. The project was completed in the summer of 2012. The total cost was 19 billion rubles, which was released from the federal budget. A part of the M-60 route connecting the international Airport to the Far Eastern Federal University (the location of the summit meetings), located on Russky Island, and was also reconstructed. Table 1 gives details of the three new bridges that were built in Vladivostok city as preparation for APEC 2012.

In addition to these projects and measures, the federal government also launched an on-line visa application system for foreigners who will arrive at the border of the territory of Vladivostok. From August 1, 2017, citizens of 16 countries, including the People’s Republic of China, the Democratic People’s Republic of Korea, and Japan could apply for single business, humanitarian and tourist visas on a Russian Ministry of Foreign Affairs website, in the form of an electronic document.

As mentioned above, the amount of investment funding released from the federal budget for Vladivostok city development city is large enough. What economic effects were created within the regional economy by these measures? In the next section, the author reviews the changes in statistical indicators as outcomes of these projects.

2. STATISTICAL CHANGE IN TOURISM AS AN OUTCOME OF THE POLICY

Primorye Territory is a leader in the tourism industry of the Far East Federal District. The region accepted more than 65% of the volume of accommodated foreigners and more than 35% of accommodated Russian citizens of the entire Far Eastern Federal District in 2016 (Figure 2).

Figure 2 shows that Primorye Territory has been a leader in the tourism industry of the Far East Federal District during the whole period since 2009. However, the number of accommodated Russian citizens and foreigners

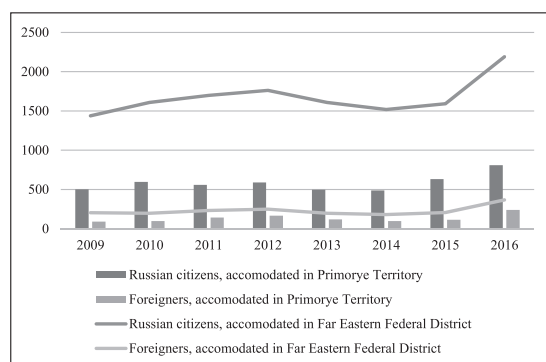


Figure 2. The number of accommodated Russian Federation citizens and foreigners in Primorye Territory and Far Eastern Federal District in 2009-2016, thousand people

Source: made by author, based on data from the Federal Tourism Agency of Russia

<https://www.russiatourism.ru/contents/statistika/statisticheskie-dannye-po-rf/statisticheskie-dannye-po-subektam-rf-za-2015-god/>

started to grow in 2016.

According to the annual report of the Department of Tourism of Primorye Territory, 2017 and 2018 were breakthrough and record years for the tourism sphere. First, the federal law on electronic visas was enacted. Second, Primorye Territory received a record number of sea liners - fifteen. The total tourist flow in 2018 exceeded 4.5 million people. Russian tourists accounted for 3.9 million people, and 651.8 thousand were foreign tourists.¹³⁾ Commonly Primorye Territory is visited by tourists from Southeast Asian countries - China, South Korea and Japan.

In 2018, the clear leader was the People's Republic of China, with 56% of tourist flow. The tourist flow from the Republic of Korea and Japan amounted to 34% and 3% respectively. In 2018 the highest tourist flow growth was from the Republic of Korea: over the year, the region was visited by 222 thousand people: 132.7% growth compared to the previous year. The tourist flow from Japan increased by 14.4%, amounting to 20.4 thousand people.¹⁴⁾

In recent years, five new airline companies, T'way Air, Eastar Jet, China Express, Air Busan

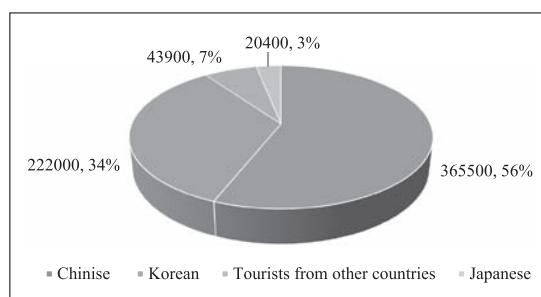


Figure 3. Primorye Territory's largest tourist flows by nationality in 2018

Source: made by author, based on data from report of the Department of Tourism of Primorye Territory Administration

<https://primorsky.ru/upload/medialibrary/237/237c296811db4a4fac75ed17c2855b18.pdf> p.2

and Air Philip, set up in the region and new regular and charter air routes were opened. In 2018, for the first time in its history, Vladivostok International Airport served 1 million 151 thousand passengers to foreign destinations (an increase of 47%) and a total of 2 million 634 thousand passengers, which is 21% higher than in 2017. For cruise lines, the number of tourists in 2018 exceeded 13.5 thousand people, one thousand more than in 2017 (12.4 thousand people).¹⁵⁾

Favourable dynamics in the tourist flow contributed to the growth of the investment attractiveness of the industry as a whole.

From 2016 to 2018, the total capacity of accommodation facilities increased rapidly from 40 thousand to almost 80 thousand beds (Figure 4). The total number of accommodation facilities in the region reached 1205.

At the same time, the turnover from paid services in accommodation facilities in 2018 grew fourfold compared to 2016, amounting to 18.67 billion rubles (Figure 5).

Together with the turnover of paid services from accommodation facilities, the turnover from paid tourism services also increased in 2018, amounting to 6.69 billion rubles (Figure 6).

According to a report from the Tourism Department of Primorye Territory, the turnover from paid services in accommodation facilities and tourism services together made up 2.9% of the region's GRP. The indirect economic effect of tourism in the region's GRP in 2018 amounted to 6.5%.

Based on the data of the Federal Tax Service of Primorye Territory, the increase in revenue from tourism enterprises (tourism, hotels and gambling activities) amounted to 6.9% (276.1 million rubles), of which 11.9% comprised tax revenues and 4.2% insurance fees. Total revenue

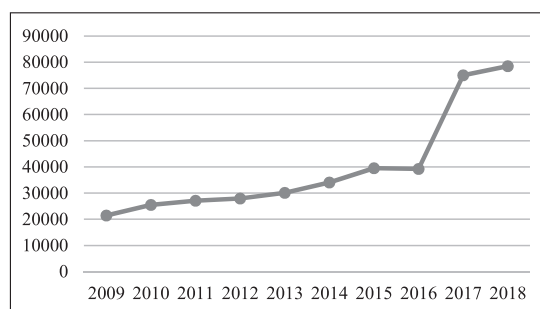


Figure 4. Total number of beds in Primorye Territory accommodation facilities 2009-2018

Source: made by author, based on data from the Federal Tourism Agency of Russia

<https://www.russiatourism.ru/contents/statistika/statisticheskie-dannye-po-rf/statisticheskie-dannye-po-subektam-rf-za-2015-god/>

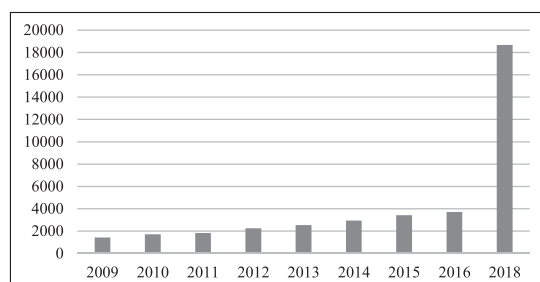


Figure 5. Turnover from paid services in Primorye Territory accommodation facilities, million RUB

Source: made by author, based on data from the Federal Tourism Agency of Russia

<https://www.russiatourism.ru/contents/statistika/statisticheskie-dannye-po-rf/statisticheskie-dannye-po-subektam-rf-za-2015-god/>

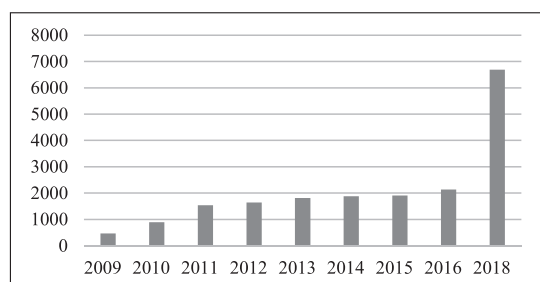


Figure 6. The turnover from paid tourism services in Primorye Territory, million RUB

Source: made by author, based on data from the Federal Tourism Agency of Russia

<https://www.russiatourism.ru/contents/statistika/statisticheskie-dannye-po-rf/statisticheskie-dannye-po-subektam-rf-za-2015-god/>

in 2018 amounted to 4.3 billion rubles, including 1.6 billion rubles from taxes and 2.7 billion rubles from insurance fees. Enterprises (catering enterprises, transport companies, etc.) related to tourism services injected 1.6 billion rubles of tax revenue into the budget.¹⁶⁾

3. ACTUAL STATE OF AFFAIRS

Despite the increase in tourist flow into Primorye Territory and Vladivostok city, the actual state of affairs shows that there are projects that faced problems during implementation. In this section the author describes the results of an investigation in Vladivostok city, focusing on the problematic projects. The interviews were conducted from May 13-16, 2019 with representatives from the Primorye Territory Development Corporation, Research and Education Center “Far Eastern Center for Economic Development and Integration in the APR”, Department of Culture and Department of Tourism of the Primorye Territory Administration.

Primorye Gambling Zone

The official name of the project is Integrated Entertainment Resort “Primorye” (IER “Primorye”). JSC “Primorye Territory Development Corporation” (100% of the shares are owned by the Primorye Territory Administration) carries out activities for the development of the gambling zone in Primorye Territory. Its main role is to attract co-investors and create transport and engineering infrastructure. According to the investment agreement between the Primorye Territory Administration and Primorye Territory Development Corporation, the amount of investments must be estimated to be at least 55.5 billion rubles.

The project includes the construction of sixteen hotels of various classes (3, 4 and 5 stars), a casino, a yacht club, a berth for 65 vessels, a ski slope, a trade and exhibition center, an administrative office center, guest villas, landscaped areas and beaches.¹⁷⁾

The scheme of implementation for the project is as follows: co-investors who are interested in doing business in Primorye sign an agreement with Primorye Territory Development



Figure 7. Territory of the Integrated Entertainment Resort “Primorye”

Source: map from the official homepage of Primorye Territory Development Corporation

Table 2. Six co-investor projects, selected for realization in the territory of Integrated Entertainment Resort “Primorye”

Name of co-investor	Name of entertainment complex	Land plots	Original country of co-investor
Summit Ascent Holdings Limited	Tigre de Cristal	8, 9, 10	Taiwan
Naga Corporation	Naga Vladivostok	20, 21, 22, 25	Cambodia
Closed Joint-stock Company “Shambala”	Shambala Vladivostok	12, 27	Russia
Diamond Fortune Holding	Selena Moon Gate	2, 4 14, 15	Russia
Prim Golden Gate	Golden Gate	5, 6, 7	Russia
Asia Resort Group / Gaming group Primorye	SUN	11	Russia

Source: made by author, based on data from the interview with a representative of JSC “Primorye Territory Development Corporation”

Corporation, which transfers the land plots to co-investors with the obligation to fulfill the project implementation requirements. After completion of construction, the co-investor has the right to purchase the land.

As the first step of project realization, the territory of 263 hectares was divided into 26 land plots and distributed between the co-investors (resident-companies) as shown in Figure 7. By September 2019 six co-investor projects were selected for realization in the territory of Integrated Entertainment Resort “Primorye” (Table 2).

According to data from the Tourism Department of Primorye Territory Administration, in 2018 the investment project of the Integrated Entertainment Resort «Primorye» was actually financed with 16.9 billion rubles, of which 16.1 billion comprised extrabudgetary funds. The total amount of signed investment agreements was 69 billion rubles.¹⁸⁾

However, after 10 years of project realization only one entertainment complex exists, the “Tigre de Cristal”. It includes a 5-star hotel with 121 rooms and casino with 224 gaming machines

and 57 gaming tables, which was opened in 2015 and now receives guests. The cost of the project was 220 million US dollars.¹⁹⁾ Besides the “Tigre de Cristal”, there are only two other entertainment complexes which are currently being built and have plans to open during 2020.

Primorsky Aquarium

The construction of the aquarium was planned to be completed before APEC 2012, but has been postponed several times and as result, the opening was delayed by 4 years. Scandals concerning its construction, animal accommodation, theft of billions of rubles and criminal cases are part of the history of the aquarium’s creation. Fish and mammals for the aquarium were purchased before 2012, and for four years until 2016 they were huddled in an adaptation building that is completely unsuitable for long-term accommodation. As a result, at least ten animals died. Some of the animals are listed in The Red Book.

Cultural and Educational Complex

Work on the creation of cultural and educational complexes began in accordance with the presidential decree of May 7, 2018. The project was planned to be completed by the end of 2023. The project was planned to be developed and have passed examination during 2018-2019. The construction was scheduled to begin in September 2019, but is yet to commence.

Innovative Cultural Center

The Minister of Culture initiated the creation of three Innovative Cultural Centers in Russia. The construction of the Innovative Cultural Center in Vladivostok should have been completed in 2016. However, due to bureaucratic difficulties, the commissioning of the project was postponed until the end of 2017. Now the realization of the project has stopped completely.

Despite the fact that the current project was financed from the federal budget, it could not be completed. According to the Ministry of Culture, regional government received funds on three occasions to continue construction, and later returned all three payments. Innovative cultural center projects in other regions are completed.

Hyatt Hotels

The construction of two five-star hotels began 10 years ago during preparation for the APEC-2012 summit, but are still uncompleted. Initially, the construction of the hotels was financed from the federal budget. However, after 2012 the situation changed so that supposedly the hotels are being built by a private

investor: OJSC “Our Home – Primorye”. After construction, the hotels were planned to be sold for 218 and 222 million euro. For reference, the most expensive hotel in Russia was the Metropol Hotel, located near the Kremlin in Moscow, the cost of which was 217.2 million euro. The price of a room at the Metropol Hotel was 600 thousand euro at the time of the transaction, while in Vladivostok they planned to ask 1 million euro for one room.²⁰⁾ The average price for a room in Vladivostok hotels is 3.2 thousand rubles per night. With an accommodation rate of 60% per year, the breakeven period for buyers of Hyatt hotel rooms, at the price offered by the regional authority, would be 56 years. Since 2014, the regional authority has allocated finances from the regional budget for finishing the construction. In 2015, due to the fact that the hotels were built in a rush and were not completely finished after several years, the facade and partial interior decoration began to deteriorate, so there was a need to dismantle and reassemble the facade, requiring new financial investment. By 2014, the initial cost of building the hotels increased from 7.5 billion rubles to 15 billion rubles. By 2017, this had increased to 18.4 billion rubles.²¹⁾ Since 2015, criminal cases have been filed one after the other, and persons involved in embezzlement have been arrested. One of the first cases was brought against the head of the “Our Home – Primorye” company. In April 2019 the two unfinished Hyatt hotels were bought by “Park-Hotel Burduguz” company at auction for 3.7 billion rubles.²²⁾

APEC summit roads and bridges

A very large amount of money came from the federal budget for the development of

infrastructure in Vladivostok city. However, the time for road and bridge construction was limited and was carried out in a rush. As a result, serious problems arose with summit bridges and roads.

The reconstruction cost for 33 km of road on route M-60 connecting the international Airport with the Far Eastern Federal University located on Russky Island was about 5 billion rubles.²³⁾ Thus, one km of this road costs four times more than in Europe. Despite their high price, roads built for the APEC summit in 2012 started to break up in different areas in the same year. After some time, one part of the road was completely washed away and a 30-meter-long supporting wall collapsed on the beach. The damage amounted to more than 1.7 million rubles.²⁴⁾ After this incident, all roads prepared for the summit were checked. It turned out that this was not the only problematic section of the road. In the same year, two almost identical incidents occurred on the summit roads. In addition, the dividing nature strips on new roads continue for several kilometres, with areas for turning left and performing U-turns (right-hand traffic in Russia) yet to be made, therefore making it impossible to turn for many kilometres. Moreover, the traffic police released frightening statistics. The number of road accidents increased after commissioning the summit's roads. In 2012, the number of fatalities from road accidents increased by 12.5%, and the number of victims by 24.4%, with only 7% of car accidents caused by drunk drivers.²⁵⁾ Police officers also note that the roads built for the summit have not been adapted for everyday use: poorly distinguishable or missing road markings, poor coverage of roadways, inoperative lighting and unidentifiable road signs, inconsistencies in road parameters

for their category, as well as undeveloped pedestrian crossings exist. Thus, one can say that the roads were built for a specific event taking into account the needs of this event, and not taking into account the needs of citizens who will use them after the summit. A very similar situation occurred with the bridges.

Thus, in the recent decade the federal government initiated tourism industry development policy in Primorye Territory and invested vast amounts into the region. It led to a quantitative improvement in the tourism industry, popularization of the region among tourists, and as a result an increase in tourist inflow. However, the actual state of affairs showed that problems in the implementation process also appeared.

4. FEDERAL POLICY RESULTS

In order to restore the Far Eastern region, to strengthen the position of Russia in Asia, to attract foreign investors, the federal government has tried to make Vladivostok a tourism and cultural center with a positive image suitable for representing Russia in Asia. However, the outcomes of an investigation show that the federal policy of positive image creation and the development of Vladivostok city as a tourism center resulted not only in an increased amount of tourism resources, transport infrastructure and, as a result, tourist inflow, but also in a significant amount of wasted investment. The bridges and roads have been built, but the quality of the roads and their suitability for convenient use by city-residents is controversial. The aquarium was constructed, but large sums were stolen. There was an attempt to build hotels and solve the problem of the lack of hotels in the city. A very large amount was

spent on completing the Hyatt hotels, however they have not been completed. Infrastructure and tourism facilities appeared in the city, but the price paid for them, taking theft into account, was too high and the quality was not of the desired level. Vladivostok city became famous throughout the world as a city with one of the largest amounts spent on APEC summit preparations and project delays and failures, but not for successfully implemented policy.

In addition to the results described above, another important point should be mentioned. Federal and local authorities did not put enough effort into the creation of tourism industries in the region, which include the accommodation industry, travel industry, souvenir and special product-producing industry, based on local capital. Local entrepreneurs have not become more involved in the local tourism industry. The souvenir and special product-producing industry did not develop. Even in the gambling zone, not only non-local casino owners, but also local entrepreneurs who offer products to tourists could profit. However, this did not happen. Instead of building Hyatt hotels, it might be more beneficial for the city economy to build hotels using local capital. But in this case also no attention was paid to the local community and entrepreneurs. As a result, the tourism industry based on local capital and community has not grown in the region. In other words, the local community and local capital was not involved in policy implementation. All of these facts point to the problems in the implementation process and the role of distribution between federal and regional governments.

5. CONCLUSION

The example of Vladivostok city development

policy shows how less developed countries can attempt to create world tourism cities artificially in order to increase their influence within the global economic system. It requires huge financial resources and proactive participation from the government of the country. Such an approach, i.e. the artificial creation of a world tourism city, initiated from the top, has advantages. Due to the efforts of a central government, regions can receive a very large amount of investment very quickly, which is impossible when regional governments implement policy supported only by their own financing. However, there is the risk that regional authorities cannot keep up with such a high pace, and as result, the realization of some projects is not possible. In order to increase the number of successful projects, it is necessary to create a mechanism to properly verify the stages of each project.

Another aspect of policy initiated from the top is the dependence on invited investment. Large projects that must be implemented at high speed lead to the attraction of investment from outside the region. Local authorities do not have enough experience, knowledge and opportunities for the realization of such large projects. This becomes one more source for problems faced during project realization.

The origin of the problems is in the policy implementation mechanism, and especially within role distribution between governmental authorities. The initiator of the tourism industry development policy in Primorye Territory was the federal government. The implementing authority is the regional government. Creation of a mechanism which can link the federal and regional governments, clearly separating their roles and responsibilities, may contribute to the creation of a project implementation support

scheme with local community involvement, maximizing project implementation efficiency.

Thus, the approach of artificially creating a world tourism city has advantages and can become a way of achieving economic growth and entering the global competition between cities for emerging countries. However, the top down approach also has risks, such as inefficient use of investment and the non-involvement

of the local community and local capital. Consequently, an appropriate scheme that links federal and regional governments in the implementation process of such a policy is crucial for its success.

APPENDIX

Primorye Territory on the map of the Russian Federation



Vladivostok city on the map of Primorye Territory



Map of Vladivostok city



The number of accommodated Russian Federation citizens (R) and foreigners (F) by the region of Far Eastern Federal district, thousand people

		2009	2010	2011	2012	2013	2014	2015	2016
Far Eastern Federal District	R	1437.7	1607.9	1698.0	1760.9	1609.0	1518.9	1591.9	2189.31
	F	203.2	196.0	231.4	248.7	196.6	181.5	206.5	366.4
Sakha Republic	R	129.6	124.3	136.6	142.6	142.1	138.5	137.9	172.72
	F	4.2	4.9	4.0	5.7	3.6	5.1	4.7	5.7
Kamchatka Territory	R	66.5	75.9	67.1	74.1	70.5	73.0	63.1	110.38
	F	5.7	8.0	4.2	3.9	4.5	4.9	7.0	7.9
Primorye Territory	R	501.5	597.7	559.9	589.3	496.4	488.3	630.9	809.11
	F	91.2	96.9	143.3	166.2	118.3	98.1	113.8	239.6
Khabarovsk Territory	R	331.2	377.4	402.3	403.9	384.6	377.4	333.1	541.83
	F	14.5	15.7	15.8	13.8	15.3	16.4	22.7	42.2
Amur Region	R	189.3	194.1	258.2	264.0	249.8	240.7	206.5	280.75
	F	31.7	33.3	34.5	34.5	28.1	19.6	21.5	38.8
Magadan Region	R	39.3	41.0	45.6	58.8	56.3	49.5	53.1	70.4
	F	1.3	1.5	2.1	2.1	2.3	1.7	2.2	2.4
Sakhalin Region	R	127.5	143.9	177.0	177.2	159.8	121.3	131.8	162.5
	F	52.3	33.5	25.1	20.3	22.7	34.0	32.4	26.4
Jewish Autonomous Region	R	29.0	30.5	30.0	24.2	22.7	21.2	26.2	29.02
	F	1.9	1.7	2.1	1.7	1.1	1.4	1.8	3.0
Chukotka Autonomous Region	R	23.9	23.2	21.4	26.7	26.8	9.1	9.3	12.61
	F	0.3	0.3	0.3	0.5	0.6	0.4	0.3	0.3

Source: made by author, based on data from Federal Tourism Agency of Russia
<https://www.russiatourism.ru/contents/statistika/statisticheskie-dannye-po-rf/statisticheskie-dannye-po-subektam-rf-za-2015-god/>

NOTE

During the interview in the Department of Tourism of Primorye Territory, the author received the following answer for the question “What factors helped to increase the tourist flow to Primorye Territory and Vladivostok city in recent years?”:

“The Department of Tourism of Primorye Territory administration changed its tactics. Passive negotiations were replaced by action. The department took part in exhibitions of tourism agencies and invited representatives of agencies from the Republic of Korea and Japan to Primorye Territory for 3-day tours. The first day involved visiting public catering

facilities such as restaurants and cafes. The second day involved visiting accommodation facilities such as hotels and hostels. And the third day was spent visiting entertainment venues. These tours were most effective for the Korean agencies. At the same time the department put effort into attracting Korean airlines and opening new flights between Korea and Vladivostok airport. As a result, tourism agencies began promoting Primorye in Korea, new flights were opened with a reasonable ticket price, and the number of tourists from Korea and the popularity of their closest European city, Vladivostok, increased. This type of travel was very attractive for couples and young people for weekend trips. Social networks

such as Facebook and Instagram also played an important role in developing tourist flow from the Republic of Korea. Unfortunately, such success was not achieved from the Japanese direction”.

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